SPORTS & EXHIBITION AUTHORITY
OF PITTSBURGH AND ALLEGHENY COUNTY

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
&
INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sports & Exhibition Authority of Pittsburgh
and Allegheny County:

We have audited the accompanying basic financial statements of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "Authority") as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority for the year ended December 31, 2006 were audited by other auditors whose report dated May 24, 2007 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sports & Exhibition Authority of Pittsburgh and Allegheny County as of December 31, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 4 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to basic financial statements taken as a whole.

Parente Randolph, LLC

Pittsburgh, Pennsylvania
May 28, 2008

SPORTS & EXHIBITION AUTHORITY
OF PITTSBURGH AND ALLEGHENY COUNTY
PITTSBURGH, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As management of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the fiscal years ended December 31, 2007 and 2006. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities on December 31, 2007 by $505 million (net assets). This represents an $8 million decrease over prior year-end net assets. The decrease in net assets has slowed from the prior year due to increased capital contributions and construction in progress on the New Arena Project site which have offset the continued depreciation on the Regional Destination Financing Plan (the "Plan") capital assets. Although some construction costs are remaining, all of the Authority's major recently constructed Plan capital assets (Heinz Field, PNC Park, and the Convention Center) are in service. The Authority is also continuing development on smaller projects such as the Convention Center Riverfront Park and additional phases of the North Shore Riverfront Park.

- The Authority's total cash and cash equivalents balance at the close of the fiscal year was $346 million, representing a $304 million increase over last year-end. Increased cash provided from the issuance of bonds for the New Arena Project, insurance proceeds and increased hotel revenues account for this increase.

- The Authority recognized $13.9 million in operating revenue for calendar year 2007, a decrease from 2006's operating revenue of $300 thousand. This decrease was caused by the collapse on February 5, 2007 of a sixty by twenty foot section of the second floor loading dock at the David L Lawrence Convention Center (no injuries occurred). The final anticipated cost to repair and construct the area is expected to be $3.3 million and the final business interruption losses and expenses are expected to be $951 thousand. Of this amount, $1.9 million was received from the insurance company in 2007. Another $90 thousand is due in 2008. The balance will be recouped through litigation. This problem caused the Convention Center to be closed for a six week time period, which impacted revenues for that period and also affected rental opportunities for the remainder of the year. Operating revenue net of operating expenses of $46.4 million resulted in a $32.6 million operating loss. This result includes depreciation and amortization expenses of $34.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial report, which is comprised of a single enterprise fund.

To understand the operations and financial statements depicted, it is important to understand the primary role of the Authority. As a joint authority for the City of Pittsburgh and Allegheny County, the Authority's mission is to provide venues for sporting, entertainment, educational, cultural, civic, and social events for the benefit of the general public. The Authority owns PNC Park, Heinz Field, the David L. Lawrence Convention Center, Mellon Arena, North Shore Garage, North Shore Riverfront Park, the Benedum Center and the Heinz History Center. The Authority leases PNC Park and Heinz Field to Pittsburgh Associates (holder of the Pittsburgh Pirates Major League Baseball franchise) and PSSI Stadium Corp. (a related entity to the holder of the Pittsburgh Steelers National Football League Franchise), respectively, which operate the facilities through 2030. The Mellon Arena is leased to Lemieux Group LP, (the holder of the Pittsburgh Penguins National Hockey League franchise), which is responsible for its operations and management. The Authority oversees management of the Convention Center, North Shore Garage and North Shore Riverfront Park. The Authority's ownership of the Benedum Center and the Heinz History Center is for financing purposes only; the Authority has no significant operating or management responsibility with respect to those facilities. It is also responsible for the implementation of the Regional Destination Financing Plan. In addition to constructing the stadiums, the Plan consists of the expansion of the Convention Center, parking facilities, riverfront park development, as well as the infrastructure improvements associated with these projects. The combined cost of the Plan exceeded $1 billion with monies coming from revenue bonds, state appropriations, federal funds, corporate and philanthropic funds, and sports team contributions. As of December 2007, the Plan facilities have been constructed, with only close-out issues on the Convention Center, its related infrastructure, and riverfront park development having remaining work into 2008. In 2007 the Authority also acquired property along Fifth Avenue in the Lower Hill District to prepare a site for the New Arena Project.

FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses.

The *statement of revenues, expenses, and changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accrued receivables).

The *statement of cash flows* reports cash and cash equivalent activities for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalent balance reconciles to the cash and cash equivalent balance at the end of the calendar year.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to analyze the changing financial position of the Authority as a whole. In the case of the Authority, assets exceed liabilities by $505 million as of December 31, 2007. This represents an $8 million decrease from the prior year. The overall decrease is a direct result of decreased capital assets due to depreciation exceeding the addition of new capital assets.

The net asset summary below shows that the unrestricted portion of net assets is negative by $1 million. Unrestricted net assets report the amount of discretionary assets that an organization has to meet its obligations. The Authority's negative unrestricted net asset balance indicates that it has more obligations/restrictions than assets on hand to satisfy them. This is a result of the remaining obligations on the Regional Destination Financing Plan, the funding source for which is future slots revenue. Settlement agreements have been executed where payments rely on the future slots funding. Additional information can be found in the "Economic Factors and 2008 Budget" section of the Management's Discussion and Analysis.

CONDENSED SUMMARY OF NET ASSETS AT DECEMBER 31 (IN THOUSANDS)

	2007	2006
Current assets	$ 134,404	$ 50,744
Capital assets, net	937,721	941,689
Other non-current assets	223,241	3,546
Total assets	1,295,366	995,979
Current liabilities	31,518	26,253
Non-current bonds payable	723,706	419,907
Other non-current liabilities	35,061	36,777
Total liabilities	790,285	482,937
Net assets invested in capital activity, net of related debt	471,349	482,303
Restricted net assets	34,781	29,512
Unrestricted net assets	(1,049)	1,227
Total net assets	$ 505,081	$513,042

CONDENSED SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS AT DECEMBER 31 (IN THOUSANDS)

	2007	2006
Operating revenues	$13,886	$14,261
Operating expenses:		
Operations and maintenance	10,337	11,811
General and administrative	949	748
Depreciation and amortization	34,452	36,662
Miscellaneous	709	97
Total operating expenses	46,447	49,318
Operating loss	(32,561)	(35,057)
Non-operating revenues (expenses):		
Allegheny Regional Asset District, City and County	13,836	14,712
Hotel rooms tax	14,207	13,198
Stadium Authority parking subsidy	1,006	1,159
Project administrative and development, net	(78)	16
Interest expense (net of interest income)	(18,988)	(21,550)
Miscellaneous	(218)	(134)
Total non-operating revenue	9,765	7,401
Decrease in net assets before capital contributions	(22,796)	(27,656)
Capital contributions	14,836	26,999
Decrease in net assets	$ (7,960)	$ (657)

By far, the largest portion of the Authority's net assets reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment) net of related debt ($471 million). This category comprises 93% of the total net assets. Total net assets also include restricted net assets of $34.8 million and unrestricted net assets of $(1) million. During 2007, decreases in the Authority's investment in capital assets, net of related debt, were mainly a result of depreciation of the Authority's venues. The Authority uses these capital assets primarily to provide a public venue for baseball (PNC Park), football (Heinz Field), hockey and other arena events (Mellon Arena), and for convention events (David L. Lawrence Convention Center).

Other major capital assets are two parking garages, and the North Shore Riverfront Park. Consequently, these assets are not available for future spending. The groundbreaking for the Convention Center occurred in April 2000, and its grand opening took place in September 2003. Construction has been financed primarily with Hotel Tax Bonds, Commonwealth of Pennsylvania grant funds, and local philanthropic contributions. The new David L. Lawrence Convention Center includes 330,000 square feet of exhibition space (250,000 square feet of which is column free), 53 meeting rooms, 37 loading docks, and a 34,000 square foot ballroom. It currently offers a 715 space parking garage and future plans include an adjoining hotel. SMG, a private management company, operates the Convention Center on behalf of the Authority under a management contract. Almost all of the roughly $1 billion in capital assets are capitalized and in service. Amounts not yet capitalized in construction-in-progress relate to land acquisition and site preparation for the New Arena Project.

Current assets include cash, investments, and receivables for ticket surcharges, parking fees, hotel room tax, trade related items, and contributions. Current assets increased by $83 million from 2006. Most individual categories of current assets increased over the prior year, with the major source of funds being the Commonwealth Lease Revenue Bond Series A and Taxable Series B proceeds.

The largest component of the Authority's liabilities is bonds payable, which is secured by pledged revenues as described in the "Debt Administration" section. Total liabilities increased by $313 million primarily due to the issuance of the Commonwealth Lease Revenue Bonds Series A and Taxable Series B. Trade and construction payables and other accrued liabilities increased by a net $1.7 million. The current portion of bonds payable increased by over $2 million due to debt service requirements on the Commonwealth Lease Revenue Bonds Series A of 2007, the Hotel Excise Tax Bonds of 1999 and the Regional Asset District Sales Tax Bonds of 1999.

The Authority's operating revenue is derived from ticket surcharge/team rent, parking revenues, and Convention Center income from building rental, event services (such as labor, security, and box office), and catering and concession charges net of cost. The majority of the unrestricted operating revenue supports the administrative costs of the Authority and the operation of the Convention Center. The restricted operating revenues related to charges/fees imposed by the Authority are pledged for debt repayment or capital maintenance reserves. Including depreciation expense of $34.5 million, the Authority's operating loss was $32.6 million. Operations, without depreciation and amortization expense, would have yielded a surplus of $1.9 million for 2007 compared to a surplus of $1.6 million in 2006. The $1.9 million surplus is the result of decreased expenses for operations and maintenance of the Convention Center and increased parking revenues.

Capital contributions for the funding of capital projects are still an important factor in the Authority's financial statements. Capital contributions represent funds received from third parties, which are primarily restricted for development plan activities. The $14.8 million of total capital contributions in 2007 was comprised of $11 million of Commonwealth of Pennsylvania grants for the New Arena Project, $1.3 million from the Stadium Authority with the remainder from government grants and other sources. The Authority received $27 million of capital contributions in 2006, primarily from federal highway funding, Commonwealth of Pennsylvania grants, philanthropic, and other sources. Note 16 shows the sources for both 2007 and 2006 in detail.

CAPITAL ASSETS

As of December 31, 2007 the Authority's investment in capital assets was $903 million (net of accumulated depreciation). This is a decrease from the prior year, as the annual depreciation exceeded capital asset additions. Investment in capital assets includes land, buildings, improvements, equipment, and infrastructure. All construction in progress throughout 2007 was capitalized, except for land acquisition and demolition design costs on the New Arena Project.

Construction expenses totaling $4.9 million for the Convention Center and its infrastructure, and the North Shore River Front Park were capitalized during 2007. Close-out construction costs will continue on the Convention Center, and its infrastructure throughout 2008. Design and construction costs for the North Shore and Convention Center Riverfront Parks will continue through 2008 and possibly 2009. Demolition and other site preparation work will continue during 2008 on the New Arena Project with construction scheduled to begin later that year.

The Authority currently accounts for the infrastructure in its capital asset balances. As financial and legal responsibility for selected infrastructure assets are transferred to other governments, the net book value of these assets will be recorded as a charge in the statement of revenues, expenses, and changes in net assets.

Additional information on the Authority's capital assets can be found in Note 3 of this report.

DEBT ADMINISTRATION

Long-term debt of the Authority is comprised of eight bond issues and several loans payable. Four of the eight bonds were issued to finance the Regional Destination Financing Plan. They are:

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poors	Moody's
Hotel Tax Revenue Bonds	May-1999	$193,375,000	Hotel room excise tax	AAA	Aaa
RAD Revenue Bonds	May-1999	176,625,000	RAD 1% sales tax	AAA	Aaa
Ticket Surcharge Revenue Bonds	Aug-2000	17,175,000	Steeler football ticket surcharge	AAA	Aaa
Parking Revenue Bonds	Mar-2001	27,500,000	Parking garage revenue	N/A	Aaa

* Ratings based on the purchase of bond insurance at the time of issuance.

The first principal payment on the RAD bonds was paid in 2007. The Hotel Bonds have only had three principal reductions totaling $1,955,000. The outstanding debt on the Ticket Surcharge Bonds is $16,100,000 with a $215,000 payment made in 2007. The Parking Bonds have been reduced by a $570,000 principal payment in 2007, leaving the outstanding debt at $24,820,000.

Two bond issues relate to the refinancing of the October 1999 Series Auditorium Bonds with an initial principal amount of $36,550,000. They are:

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poors	Moody's
RAD Sales Tax Refunding Bonds	Jan-2005	$13,250,000	RAD sales tax proceeds	AAA	Aaa
Auditorium Refunding Bonds	Sep-2005	8,345,000	City of Pittsburgh and Allegheny County	N/A	Aaa

* Ratings based on the purchase of bond insurance at the time of issuance.

The first refinancing occurred in January of 2005 for $13,250,000 and the second occurred in September of 2005 for $8,345,000. The bond ratings of these bonds at issuance are listed above. The principal retired from both refinancings totaled $19,885,000. Additional information is shown in Note 5 of this report. The outstanding principal amount as of December 31, 2007 for these bonds is $8,543,326 and $4,328,416, respectively.

In October 2007 the Authority issued the following bonds to finance the construction of the New Arena Project:

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poors	Bond Ratings * Moody's
Commonwealth Lease Series A Bonds	Oct-2007	$252,000,000	Gaming Economic Development & Tourism Fund, casino operator, and Pittsburgh Penguins	A-1	VMIG 1
Commonwealth Lease Taxable Series B Bonds	Oct-2007	61,265,000	Gaming Economic Development & Tourism Fund, casino operator, and Pittsburgh Penguins	A-1	VMIG 1

* Ratings based on the purchase of bond insurance at the time of issuance.

The first principal payment on the Series A bonds is due October 2008. The Series A Bonds are secured by revenues from the Pennsylvania Gaming Economic Development and Tourism Fund and from the Pittsburgh casino operator (first payment due October 2009). The first principal payment on the Taxable Series B bonds is due October 2010, secured by rent due from the Pittsburgh Penguins.

There are four loans/notes outstanding at December 31, 2007. The first is a $2.4 million loan from the Stadium Authority for public infrastructure work around the new stadiums of which $1,176,745 is outstanding at December 31, 2007. The second is a $3 million loan ($1.5 million from the Howard Heinz Endowment and $1.5 million from the Vira I. Heinz Endowment) to promote economic development and environmental initiatives by constructing improvements at the Convention Center in accordance with the Green Building Standards. Repayments on the Heinz loans do not begin until 2008. The third loan, in the form of two $10 million bank notes, one held by Dollar Bank and the other held by PNC Bank, primarily funded Convention Center capital needs. The notes have a five-year term, fifteen-year amortization and a floating interest rate based on 93% of prime that was 3.72% at issuance and 6.27755 % at October 31, 2005. Effective November 1, 2005 the Authority negotiated a deferral of principal for 2006 and 2007 with a fixed interest rate of 5% for 18 months. Effective June 1, 2007 the rate again became a floating interest rate based on 74% of prime. The fourth is a second loan from the Stadium Authority for $1.2 million used for cash flow for construction payables on the Convention Center. This is payable to the Stadium Authority upon receipt of Act 71 slots funding and has an interest rate equal to what it would have otherwise earned in the Stadium Authority's operating account.

See Notes 5 and 6 to the financial statements for further information.

ECONOMIC FACTORS AND THE 2008 BUDGET

Certain factors were considered in preparing the Authority's budget for the 2008 fiscal year. Foremost was that the Convention Center would continue to operate at a loss as do most public facilities of this type. Although the Authority endeavors to keep the operating loss at a minimum, the overriding goal is the economic benefit that visitors bring to the City of Pittsburgh. Thus, operating the center as a world-class facility supported by market sensitive rental pricing causes the operating loss. Operating revenues such as building income from rentals and food, beverage, and other ancillary services as well as the unrestricted portion of the hotel tax allocation, un-pledged parking revenues, and an anticipated third-party revenue stream fund the operating activities and administration of the Convention Center. For 2008, the anticipated third party revenue stream is a grant of $2 million from the Allegheny Regional Asset District. The Authority's 2008 operating budget is balanced; and no operating cash flow issues are present.

In accordance with Act 71 of 2004 (the Pennsylvania Race Horse Development and Gaming Act) the Authority anticipates moneys from the Gaming Economic Development and Tourism Fund, generated from gaming, will be provided to the Authority for (a) operating costs of the Convention Center ($1.7 million per year for 10 years and the remaining paid over the following 2 years), (b) repayment of certain Convention Center debt ($20 million bank notes used to assist with capital cash flow; $1.7 million per year for 10 years and the remaining paid over the following 2 years), and (c) repayment of $10 million (to reimburse the Authority for hotel costs already paid) and funding for $34 million of costs of the planned Convention Center Hotel ($ 3.7 million per year for 10 years and the remaining paid over the following 2 years). While this funding will greatly assist the Authority with cash flow issues, the date of receipt of these funds is not known as of December 31, 2007. A funding gap may exist in 2008 due to the uncertain timing.

If receipt of the Act 71 funding does not occur in 2008 and other revenue streams do not materialize, the Authority will have cash flow difficulties. It will have no other recourse than to call upon the Cooperation Agreement with the City and County. This agreement, dated January 23, 1978, approves a shared payment by the City and County to cover the Authority's operating deficit with respect to running the Convention Center.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

In addition to the New Arena facility, the Authority has announced that a new Convention Center Hotel, a Convention Center Riverfront Park, and expansion of the North Shore Riverfront Park are planned.

CONTACTING THE AUTHORITY'S MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Sports & Exhibition Authority, 425 Sixth Avenue, Suite 2750, Pittsburgh, PA 15219.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,023,711	$ 3,223,162
Restricted cash and cash equivalents	120,691,992	35,290,916
Restricted investments	1,549,000	1,549,000
Receivables:		
Trade (no allowance for doubtful accounts necessary)	1,692,825	1,297,392
Hotel rooms tax	228,834	275,348
Interest	539,983	113,581
Restricted contributions and grants	7,357,601	8,832,182
Prepaid expenses	319,556	162,150
Total current assets	134,403,502	50,743,731
NON-CURRENT ASSETS:		
Restricted cash and cash equivalents	223,240,923	3,545,716
Capital assets, net	902,715,408	925,870,598
Construction-in-progress	35,006,074	15,818,517
Total non-current assets	1,160,962,405	945,234,831
TOTAL	$ 1,295,365,907	$ 995,978,562
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 9,250,643	$ 7,526,973
Deferred revenue	605,024	630,256
Interest payable	8,877,336	8,946,573
Current portion of bonds payable	9,466,067	7,406,067
Current portion of loans/notes payable	3,039,764	1,501,432
Current portion of capital lease obligations	278,587	241,517
Total current liabilities	31,517,421	26,252,818
Non-current liabilities:		
Accrued liabilities	1,530,609	1,426,014
Deferred revenue	1,354,589	1,092,725
Bonds payable	723,705,674	419,906,742
Loans/notes payable	24,640,176	26,479,930
Capital lease obligations	7,423,136	7,665,792
Arbitrage payable	112,905	112,905
Total non-current liabilities	758,767,089	456,684,108
Total liabilities	790,284,510	482,936,926
NET ASSETS:		
Invested in capital assets, net of related debt	471,349,095	482,302,595
Restricted for capital activity and debt service	34,781,541	29,511,790
Unrestricted	(1,049,239)	1,227,251
Total net assets	505,081,397	513,041,636
TOTAL	$ 1,295,365,907	$ 995,978,562

See Notes to Financial Statements

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
OPERATING REVENUES:		
Restricted:		
Ticket surcharges	$ 2,132,298	$ 2,111,903
North Shore parking garage, net	945,768	1,214,314
Convention Center parking garage, net	1,071,168	957,562
Parking lot revenue, net	96,552	-
Unrestricted:		
Ticket surcharges	597,599	1,008,848
Convention Center parking garage, net	253,314	380,590
Parking lot revenue, net	333,535	272,668
License fees	2,790,416	2,834,775
Event service revenue	599,736	2,447,676
Ancillary revenue	2,457,616	2,543,238
Allegheny Regional Asset District grant	2,000,000	-
Other revenue	607,522	489,745
Total operating revenues	13,885,524	14,261,319
OPERATING EXPENSES:		
Operations and maintenance	10,336,722	11,811,531
General and administrative	948,846	748,224
Depreciation and amortization	34,451,789	36,661,649
Other expenses	709,117	97,015
Total operating expenses	46,446,474	49,318,419
Operating loss	(32,560,950)	(35,057,100)
NON-OPERATING REVENUES (EXPENSES):		
Restricted:		
Allegheny Regional Asset District	11,870,000	13,270,000
Hotel rooms tax	14,206,931	13,197,949
Stadium Authority parking subsidy	1,006,039	1,159,141
City of Pittsburgh & Allegheny County	1,965,539	1,442,421
Miscellaneous revenue	22,996	81,574
Interest expense	(24,520,739)	(22,872,938)
Interest revenue	5,882,386	1,528,723
Unrestricted:		
Project administration revenue	-	126,294
Sponsorship revenue	128,150	128,136
Miscellaneous revenue	-	191,000
Interest expense	(435,729)	(446,616)
Interest revenue	86,132	240,328
Project development expense	(78,401)	(109,811)
Bank/trustee fees	(368,976)	(535,061)
Total non-operating revenues, net	9,764,328	7,401,140
Loss before capital contributions	(22,796,622)	(27,655,960)
Capital contributions	14,836,383	26,998,659
DECREASE IN NET ASSETS	(7,960,239)	(657,301)
NET ASSETS, BEGINNING	513,041,636	513,698,937
NET ASSETS, ENDING	$ 505,081,397	$ 513,041,636

See Notes to Financial Statements

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from operations	$ 13,200,567	$ 13,367,141
Cash paid for operating expenses	(7,555,738)	(7,751,948)
Cash paid to employees	(4,972,463)	(4,592,332)
Cash received from other income	607,522	393,381
Net cash flows provided by operating activities	1,279,888	1,416,242
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from hotel tax distributions	3,498,028	2,679,229
Project development payments	26,194	385,504
Net cash flows provided by non-capital financing activities	3,524,222	3,064,733
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds payable	313,265,000	-
Acquisition and construction of capital assets	(29,744,331)	(20,224,175)
Interest payments on bonds, notes/loans payable, and capital lease obligations	(24,994,673)	(23,299,835)
Cash received from capital contributions	16,045,762	25,609,119
Cash received from Allegheny Regional Asset District for bond payments	11,870,000	13,270,000
Cash received from hotel rooms tax for bond payments	10,755,417	10,398,411
Principal payments on bonds payable	(7,400,000)	(5,155,000)
Cash received from City of Pittsburgh and Allegheny County for bond payments	1,965,539	1,442,421
Cash received from Stadium Authority for bond payments	1,920,080	1,003,938
Deferred sponsorship revenue	390,015	390,000
Principal payments on capital lease obligations	(205,586)	(202,156)
Principal payments on loans/notes payable	(71,432)	(241,082)
Cash received for capital maintenance reserve funding	22,996	67,906
Settlement claim proceeds	-	191,000
Cash received from Penguins for loan payments	-	169,657
Net cash flows provided by capital and related financing activities	293,818,787	3,420,204
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income received	5,542,114	1,730,670
Proceeds from sales and maturities of investments	3,098,000	3,178,489
Purchase of investments	(2,997,203)	(3,055,803)
Bank/trustee fees paid	(368,976)	(535,061)
Net cash flows provided by investing activities	5,273,935	1,318,295
NET INCREASE IN CASH AND CASH EQUIVALENTS	303,896,832	9,219,474
CASH AND CASH EQUIVALENTS, BEGINNING	42,059,794	32,840,320
CASH AND CASH EQUIVALENTS, ENDING	$ 345,956,626	$ 42,059,794
Consists of:		
Restricted cash and cash equivalents	$ 343,932,915	$ 38,836,632
Unrestricted cash and cash equivalents	2,023,711	3,223,162
	$ 345,956,626	$ 42,059,794
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (32,560,950)	$ (35,057,100)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	34,451,789	36,661,649
Change in operating assets and liabilities:		
(Increase) in operating receivables	(228,982)	(434,099)
(Increase) decrease in prepaid operating expenses	(148,654)	27,748
(Decrease) increase in operating liabilities	(233,315)	218,044
Net cash flows provided by operating activities	$ 1,279,888	$ 1,416,242

See Notes to Financial Statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS AND REPORTING ENTITY

The Public Auditorium Authority of Pittsburgh and Allegheny County was incorporated on February 3, 1954, pursuant to the Public Auditorium Authorities Law, as a joint authority organized by the City of Pittsburgh (the "City") and Allegheny County (the "County") to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Authority's name was legally changed to the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "Authority"). The Public Auditorium Authorities Law was re-codified in 2000 and the Authority is now authorized and exists under the Sports and Exhibition Authority Act.

As a joint authority for the City and County, the Authority provides venues for sporting, entertainment, educational, cultural, civic, and social events for the public. The Authority owns but leases the Mellon Arena (formerly the Civic Arena), PNC Park, Heinz Field, the Benedum Center and the Heinz History Center property to other entities who are responsible for their operation. The Authority owns and is responsible for the operation of the David L. Lawrence Convention Center (the "Convention Center"). The Authority also owns two parking facilities, riverfront park development, and various associated infrastructure improvements. Involvement with the Benedum Center and the John Heinz History Center is limited to the initial financing structures for those facilities. The Authority has no other significant responsibility with respect to those facilities.

The board of directors (the "Board") of the Authority is a seven member group appointed by the Mayor of the City and Chief Executive of the County. Each executive appoints three members and the Mayor and County Executive jointly appoint the seventh member. The Board is responsible for the overall activities and operations of the Authority. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. For financial reporting purposes, the Authority is a stand-alone entity and is not a component unit of the City or the County. A component unit is defined as an entity that is operationally and financially accountable to a primary government.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to governmental units and promulgated by the Governmental Accounting Standards Board (GASB). The Authority follows all GASB pronouncements and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements. In accordance with GASB Statement No. 20, the Authority does not apply FASB pronouncements issued after November 30, 1989. The Authority is considered a special purpose government engaged in business type activities, and as such, presents the financial statements required for enterprise funds. A summary of the Authority's more significant accounting policies applied by management in the preparation of the accompanying financial statements follows:

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The Authority's financial statements are prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred. All assets and all liabilities associated with the operations of the Authority are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in the Authority's net total assets.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Authority considers cash in operating bank accounts and all investments with original maturities of three months or less from the date of purchase as cash equivalents.

INVESTMENTS

The Authority records investments at fair value in the statement of net assets. Interest revenue and realized and unrealized gains and losses on investments are reflected in the statement of revenues, expenses, and changes in net assets. Fair value has been determined based on quoted market prices.

CAPITAL ASSETS

Capital assets are stated at cost which includes all costs during the construction period for acquisition of land, rights of way, surveys, engineering costs, roads, bridges, and other construction costs for constructed assets. Capital assets include the infrastructure network built in connection with the Authority's other capital projects. Infrastructure includes roads, sidewalks, water lines, and sewer lines. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets. No depreciation expense is recorded for land and land improvements or construction-in-progress. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred.

RESTRICTED NET ASSETS

When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, and then unrestricted resources as needed.

REVENUES

The Authority's operating revenues consist of excess ticket surcharges and parking revenues and Convention Center revenue from building rentals, event services, and catering and concession charges net of direct labor costs. Non-operating revenues consist primarily of amounts received from the Allegheny Regional Asset District and the County of Allegheny derived from tax levies in the form of sales tax and hotel tax which are restricted for the payment of debt service.

Ticket Surcharges

Ticket surcharges are derived from a ticket surcharge on each ticket sold for Pittsburgh Steelers football games, University of Pittsburgh Panthers football games, Pittsburgh Pirates baseball games, and other events held at Heinz Field and PNC Park. Each football season, the first $1,400,000 of total ticket surcharge monies collected from Pittsburgh Steelers football games is restricted to principal and interest on the Ticket Surcharge Revenue Bonds. Each baseball season, the first $1,500,000 of total ticket surcharge monies collected from Pittsburgh Pirates baseball games stays with the team. The Authority receives the Pittsburgh Panther surcharge in full, and any excess over the restrictions mentioned above for Pittsburgh Steelers and Pittsburgh Pirate games.

Parking Revenues

Parking revenues are generated from parking services at the North Shore parking garage and the Convention Center parking garage, net of the related expenses. Alco Parking, Inc. operates these facilities through a management contract. Currently, the North Shore Garage revenues are fully restricted for debt service on the Parking Revenue Bonds. The Convention Center parking revenues have been restricted since 2005 for purposes of the $20 million bank notes.

Hotel Room Excise Tax

The County imposes a 7% hotel room tax on the temporary use or occupancy of hotel rooms within the County. The County is required to collect the tax and to distribute the funds to the appropriate entities, including the Authority, in accordance with state law (16 P.S. Section 4970.2 et seq) as follows: (1) provide Monroeville with 1/3 of the revenues generated in that jurisdiction, (2) fund the monthly debt service on the Authority's Hotel Room Excise Tax Revenue Bonds, (3) reimburse the County for a collection fee of 5%, and (4) remaining funds, if any, to fund Convention Center operations and regional tourist promotional activities.

DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has entered into interest rate swap agreements, which are considered derivative financial instruments, to swap the variable interest rates on a portion of its long-term debt to fixed rates. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

RECLASSIFICATIONS

Certain comparative amounts for the prior year have been reclassified to conform to the current year presentation. Such reclassifications did not affect net assets or changes therein.

2. CASH AND CASH EQUIVALENTS, AND INVESTMENTS

The Authority maintains all cash deposits in qualified public depositories and is authorized to invest in securities of the United States government, other instruments that are collateralized by United States government securities, repurchase agreements subject to certain restrictions, and other debt instruments set forth by the office of the State Treasurer of the Commonwealth of Pennsylvania. These types of investments are held by the purchasing bank in the Authority's name. The Authority's investment activities are governed by the Commonwealth of Pennsylvania, bond covenants, trust agreements, and the Authority's investment policy.

The following is a summary of the fair value of the Authority's cash and cash equivalents, and investments:

	12/31/07	12/31/06
Unrestricted and restricted cash and cash equivalents:		
Cash	$ 2,803,069	$ 5,207,484
Money market funds	274,242,204	36,602,310
Commercial paper	261,560	250,000
Government securities	68,649,793	-
	$345,956,626	$42,059,794
Restricted investments,		
Commercial paper	$ 1,549,000	$ 1,549,000

INTEREST RATE RISK

The Authority's investment policy does not formally limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, all significant investments are in short-term maturity bonds and funds.

CREDIT RISK

The Authority is subject to credit risk on investments. The maximum amount of loss the Authority would incur, if any, if the parties failed to perform on their obligation is limited to the amount recorded in the financial statements. The Authority does not hold any type of collateral on these investments.

CUSTODIAL CREDIT RISK

The Authority places no limit on the amount that may be invested in any one issuer. The Authority maintains its cash and cash equivalent balances in several banks located in Pittsburgh, Pennsylvania. Deposits at each bank exceed federally insured amounts. At December 31, 2007, $400,000 of the Authority's cash and cash equivalent deposits were insured under federal insurance programs, $9,193,784 were uninsured and collateralized by the pledging financial institution's trust department not in the Authority's name, and the remaining balance was uninsured and uncollateralized. The Authority has not experienced any losses from maintaining account balances in excess of federally insured limits. Management believes it is not subject to any significant credit risk on these account balances.

3. CAPITAL ASSETS

Capital assets and accumulated depreciation consist of the following:

	1/1/06	Additions	Deletions	12/31/06	Additions	Deletions	12/31/07	Useful Lives
Operating assets:								
Office Equipment	$ 228,316	$ 8,174	$ -	$ 236,490	$ 8,521	$ -	$ 245,011	5-10
Less accumulated depreciation	226,750	3,201	-	229,951	3,339	-	233,290	
	1,566	4,973	-	6,539	5,182	-	11,721	
Mellon Arena:								
Land	4,017,916	-	-	4,017,916	-	-	4,017,916	*
Land improvements	2,630,313	-	-	2,630,313	-	-	2,630,313	5-40
Building and improvements	59,767,318	-	-	59,767,318	-	-	59,767,318	10-40
Property and equipment	6,181,977	-	-	6,181,977	-	-	6,181,977	10
Other assets	953,900	-	-	953,900	6,500	-	960,400	20
	73,551,424	-	-	73,551,424	6,500	-	73,557,924	
Less accumulated depreciation	48,630,767	1,728,526	-	50,359,293	1,730,534	-	52,089,827	
	24,920,657	(1,728,526)	-	23,192,131	(1,724,034)	-	21,468,097	
Benedum Center:								
Land	11,022,494	-	-	11,022,494	-	-	11,022,494	*
Building and improvements	570,189	-	-	570,189	-	-	570,189	40
	11,592,683	-	-	11,592,683	-	-	11,592,683	
Less accumulated depreciation	160,386	174,599	-	334,985	14,255	-	349,240	
	11,432,297	(174,599)	-	11,257,698	(14,255)	-	11,243,443	
Heinz History Center:								
Land	480,000	-	-	480,000	-	-	480,000	*
Building	2,620,000	-	-	2,620,000	-	-	2,620,000	50
	3,100,000	-	-	3,100,000	-	-	3,100,000	
Less accumulated depreciation	742,300	52,400	-	794,700	52,400	-	847,100	
	2,357,700	(52,400)	-	2,305,300	(52,400)	-	2,252,900	
PNC Park:								
Land	19,321,705	-	-	19,321,705	-	-	19,321,705	*
Building	233,812,575	1,004,872	-	234,817,447	354,953	-	235,172,400	30-40
Property and equipment	12,818,751	-	-	12,818,751	-	-	12,818,751	5-10
	265,953,031	1,004,872	-	266,957,903	354,953	-	267,312,856	
Less accumulated depreciation	47,853,493	8,792,954	-	56,646,447	7,839,080	-	64,485,527	
	218,099,538	(7,788,082)	-	210,311,456	(7,484,127)	-	202,827,329	

	1/1/06	Additions	Deletions	12/31/06	Additions	Deletions	12/31/07	Useful Lives
North Shore Garage:								
Land	$ 776,629	$ -	$ -	$ 776,629	$ -	$ -	$ 776,629	5-10
Building	23,383,710	-	-	23,383,710	-	-	23,383,710	40
Property and equipment	7,096	-	-	7,096	-	-	7,096	
	24,167,435	-	-	24,167,435	-	-	24,167,435	
Less accumulated depreciation	3,569,162	780,158	-	4,349,320	779,457	-	5,128,777	
	20,598,273	(780,158)	-	19,818,115	(779,457)	-	19,038,658	
Heinz Field								
Land	8,183,167	-	-	8,183,167	-	-	8,183,167	*
Building	240,489,032	1,282	-	240,490,314	1,966,400	-	242,456,714	30-40
Property and equipment	12,132,757	-	-	12,132,757	-	-	12,132,757	5-10
	260,804,956	1,282	-	260,806,238	1,966,400	-	262,772,638	
Less accumulated depreciation	46,683,309	9,218,913	-	55,902,222	8,081,890	-	63,984,112	
	214,121,647	(9,217,631)	-	204,904,016	(6,115,490)	-	198,788,526	
Convention Center:								
Land	20,668,134	-	-	20,668,134	-	-	20,668,134	*
Building	348,887,947	729,489	-	349,617,436	3,115,767	-	352,733,203	30-40
Smallwares	500,000	-	-	500,000	-	-	500,000	5
Property and equipment	11,865,262	-	29,262	11,836,000	-	-	11,836,000	5-10
	381,921,343	729,489	29,262	382,621,570	3,115,767	-	385,737,337	
Less accumulated depreciation	43,507,352	12,908,488	-	56,415,840	12,917,007	-	69,332,847	
	338,413,991	(12,178,999)	29,262	326,205,730	(9,801,240)	-	316,404,490	
Infrastructure:								
Convention Center	40,136,990	516,148	-	40,653,138	81,633	-	40,734,771	40
North Shore	63,295,605	1,750	-	63,297,355	-	-	63,297,355	40
	103,432,595	517,898	-	103,950,493	81,633	-	104,032,126	
Less accumulated depreciation	7,234,714	2,598,762	-	9,833,476	2,600,803	-	12,434,279	
	96,197,881	(2,080,864)	-	94,117,017	(2,519,170)	-	91,597,847	
Riverfront Park:								
Land and improvements	23,508,910	722,205	1,500	24,229,615	1,862,070	-	26,091,685	*
Less accumulated depreciation	-	-	-	-	38,129	-	38,129	
	23,508,910	722,205	1,500	24,229,615	1,823,941	-	26,053,556	
Convention Center Park:								
Land and improvements	-	-	-	-	48,798	-	48,798	*
Other capitalized assets	12,228,120	-	-	12,228,120	3,851,956	-	16,080,076	30
Less accumulated amortization	2,330,754	374,385	-	2,705,139	394,894	-	3,079,523	
	9,897,366	(374,385)	-	9,522,981	3,457,062	-	13,000,553	
Total capital assets	$959,549,826	$(33,648,466)	$30,762	$925,870,598	$(23,155,190)	$ -	$902,715,408	

The accumulated depreciation and amortization by asset type is as follows:

	1/1/06	Additions	12/31/06	Additions	12/31/07
Buildings/building improvements	$158,896,130	$29,965,016	$188,861,146	$30,433,473	$219,294,619
Furniture, fixtures, and equipment	32,268,983	3,587,671	35,856,654	916,766	36,773,420
Infrastructure	7,234,714	2,598,762	9,833,476	2,600,803	12,434,279
Other capitalized assets	2,509,896	510,200	3,020,096	500,747	3,520,843
Total accumulated depreciation	$200,909,723	$36,661,649	$237,571,372	$34,451,789	$272,023,161

The cost of the Benedum Center and the Heinz History Center are original acquisition costs by the Authority. Any costs to build and improve these properties subsequent to acquisition have been incurred and capitalized by the Pittsburgh Trust for Cultural Resources and the Historical Society of Western Pennsylvania.

4. CONSTRUCTION-IN-PROGRESS

The construction-in-progress detail is as follows:

	1/1/06	Additions	Deletions	12/31/06	Additions	Deletions	12/31/07
New Arena Project	$ -	$15,818,517	$ -	$15,818,517	$19,187,557	$ -	$35,006,074
Riverfront Park	265,270	455,435	720,705	-	-	-	-
Regional Destination Financing Plan	-	2,062,541	2,062,541	-	5,400,083	5,400,083	-
Total	$265,270	$18,336,493	$2,783,246	$15,818,517	$24,587,640	$5,400,083	$35,006,074

All construction-in-progress was capitalized as of December 31, 2007 except for land acquisition and development costs associated with the New Arena Project.

5. BONDS PAYABLE

All bonds issued by the Authority are limited obligation bonds, collateralized by supporting agreements entered into as of the date of each bond issue between the Authority and the City, the County or other designated entity(ies), and/or some specifically identified revenue stream(s).

	1/1/06	Net Additions/ (Reductions)	12/31/06	Net Additions/ (Reductions)	12/31/07
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2005 of $13,250,000, due in annual installments ranging from $665,000 to $2,695,000 through February 2019, interest payable semiannually on February 15 and August 15 at rates ranging from 3% to 4.125%, issued in January 2005 to partially refinance the 1999 Series Auditorium Bonds and to fund certain operating costs of the Convention Center.	$ 13,271,657	$(2,696,667)	$ 10,574,990	$ (2,031,665)	$ 8,543,325
Auditorium Bonds, Refunding Series A of 2005 of $8,345,000, due in annual installments ranging from $245,000 to $1,155,000 through December 2018, interest payable semiannually on June 15 and December 15 at rates ranging from 3.05% to 4.00%, issued in September 2005 to partially refinance the 1999 Series Auditorium Bonds and to fund certain operating costs of the Convention Center.	7,247,220	(1,174,403)	6,072,817	(1,744,401)	4,328,416
Commonwealth Lease Revenue Bonds Series A of 2007 of $252,000,000, due in annual installments ranging from $4,260,000 to $13,950,000 through November 2038, interest payable semiannually on May 1 and November 1 at a synthetic fixed rate of 4.020% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities.	-	-	-	252,000,000	252,000,000
Commonwealth Lease Revenue Bonds Taxable Series B of 2007 of $61,265,000, due in annual installments ranging from $620,000 to $4,095,000 through November 2039, interest payable semiannually on May 1 and November 1 at a synthetic fixed rate of 5.335% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities.	-	-	-	61,265,000	61,265,000

	1/1/06	Net Additions/ (Reductions)	12/31/06	Net Additions/ (Reductions)	12/31/07
Hotel Room Excise Tax Revenue Bonds Series 1999 of $193,375,000, due in annual installments ranging from $495,000 to $12,125,000 through February 2035, interest payable semiannually on February 1 and August 1 at rates ranging from 3.30% to 5.25%, issued in May 1999 to finance the Convention Center project including capital improvements and land acquisition for related facilities.	$192,880,000	$ (545,000)	$192,335,000	$ (915,000)	$191,420,000
Allegheny Regional Asset District Sales Tax Revenue Bonds Series 1999 of $176,625,000, due in annual installments ranging from $1,930,000 to $12,730,000 through February 2031, interest payable semiannually on February 1 and August 1 at rates ranging from 4.35% to 5.25%, issued in May 1999 to finance the construction of Heinz Field and PNC Park.	176,625,000	-	176,625,000	(1,930,000)	174,695,000
Taxable Ticket Surcharge Revenue Bonds Series 2000 of $17,175,000, due in annual installments ranging from $145,000 to $2,835,000 through July 2030, interest payable semiannually on January 1 and July 1 at rates ranging from 7.72% to 7.92%, issued in August 2000 to finance the construction of Heinz Field.	16,515,000	(200,000)	16,315,000	(215,000)	16,100,000
Parking Revenue Bonds Series A of 2001 of $27,500,000, due in annual installments ranging from $50,000 to $1,815,000 through December 2030, interest payable semi-annually on June 1 and December 1 at rates ranging from 3.45% to 5.375%, issued in March 2001 to pay costs of the Regional Destination Financing Plan.	25,935,000	(545,000)	25,390,000	(570,000)	24,820,000
Total bonds payable	$432,473,877	$(5,161,068)	$427,312,809	$305,858,934	$733,171,141

The aggregate annual amount of principal and interest payments required on bonds payable are as follows:

Year	RAD Refunding	Auditorium Refunding	New Arena Series A	New Arena Series B	Hotel	RAD
2008	$ 691,666	$ 364,401	$ 4,260,000	$ -	$ 1,310,000	$ 2,010,000
2009	716,666	369,401	4,450,000	-	1,785,000	2,110,000
2010	736,666	379,401	4,640,000	620,000	2,215,000	2,220,000
2011	726,666	399,401	4,840,000	860,000	2,680,000	2,335,000
2012	711,666	419,401	5,050,000	915,000	3,270,000	4,980,000
2013-2017	3,378,329	2,147,007	28,720,000	5,410,000	24,955,000	29,025,000
2018-2022	1,581,666	249,404	35,485,000	7,150,000	34,000,000	37,210,000
2023-2027	-	-	43,860,000	9,440,000	43,260,000	47,490,000
2028-2032	-	-	54,195,000	12,460,000	43,550,000	47,315,000
2033-2037	-	-	59,310,000	16,445,000	34,395,000	-
2038-2039	-	-	7,190,000	7,965,000	-	-
Total	$8,543,325	$4,328,416	$252,000,000	$61,265,000	$191,420,000	$174,695,000

Year	Ticket Surcharge	Parking Revenue	Total Principal	Interest	Total
2008	$ 235,000	$ 595,000	$ 9,466,067	$ 34,656,990	$ 44,123,057
2009	250,000	620,000	10,301,067	34,234,860	44,535,927
2010	270,000	650,000	11,731,067	33,761,873	45,492,940
2011	295,000	675,000	12,811,067	33,210,939	46,022,006
2012	320,000	710,000	16,376,067	32,535,342	48,911,409
2013-2017	2,035,000	4,110,000	99,780,336	149,457,674	249,238,010
2018-2022	3,020,000	5,330,000	124,026,070	122,688,539	246,714,609
2023-2027	4,485,000	6,965,000	155,500,000	89,746,956	245,246,956
2028-2032	5,190,000	5,165,000	167,875,000	49,871,045	217,746,045
2033-2037	-	-	110,150,000	15,496,240	125,646,240
2038-2039	-	-	15,155,000	1,215,447	16,370,447
Total	$16,100,000	$24,820,000	$733,171,741	$596,875,905	$1,330,047,646

ARBITRAGE PAYABLE

The proceeds of certain bond issues are restricted by yield limitations. The earnings on certain investments may generate arbitrage where the rate of investment earnings exceeds the yield limitations. The excess earnings, or rebatable arbitrage, is required to be computed in accordance with, and pursuant to, Section 148 of the Internal Revenue Code of 1986 (Code), and the temporary treasury regulations issued by the Internal Revenue Service on May 12, 1989, under Section 148(i) of the Code. The Internal Revenue Service requires the arbitrage computation to be performed and the amount remitted every fifth year that the bonds are outstanding. Based on third party prepared arbitrage computations, 90% of the total amount accrued in the 2003 financial statements was due and payable to the IRS by March 2005. At December 31, 2007 the arbitrage payable represents the remaining 10% due as of the January 1, 2005 computation date that may be payable in another five years. The accrued anticipated arbitrage liability is $91,838 for the 1999 Hotel Bonds and $21,067 for the 1999 RAD Bonds. The Authority has determined there are no other arbitrage obligations due.

Arbitrage payable consists of the following:

	1/1/06	Additions	Deletions	12/31/06	Additions	Deletions	12/31/07
Arbitrage payable	$112,905	$ -	$ -	$112,905	$ -	$ -	$112,905

NONCURRENT ACCRUED LIABILITIES

Noncurrent accrued liabilities, which represent monies held on behalf of the Stadium Authority to be used to pay for the development of commercial, retail, and residential facilities in the North Shore Option Area, consist of the following:

	1/1/06	Additions	Deletions	12/31/06	Additions	Deletions	12/31/07
Liabilities	$1,056,992	$842,278	$473,256	$1,426,014	$104,595	$ -	$1,530,609

Regional Asset District Sales Tax Revenue Refunding Bonds

On January 13, 2005 the Authority issued $13,250,000 of "Sports & Exhibition Authority of Pittsburgh and Allegheny County Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2005" (the "RAD Refunding Bonds") with an average interest rate of 3.37% to refund a portion of each maturity of the 1999 Series Auditorium Bonds with an average interest rate of 5.52%. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $244,064. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2019 using the effective interest rate method. The Authority completed the refunding to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $879,000 received at the time of issuance. The refunding also resulted in cash flow savings of $768,654 over the life of the RAD Refunding Bonds.

The bonds are payable from and secured by payments and other revenues to be received by the Authority through 2018 under an Amended and Restated Cooperation and Support Agreement among the Authority, the City, the County, and the Allegheny County Regional Asset District (RAD). For calendar year 2007 the Authority received $1,000,000.

Auditorium Refunding Bonds

On September 29, 2005 the Authority issued $8,345,000 of "Sports & Exhibition Authority of Pittsburgh and Allegheny County Auditorium Bonds, Refunding Series A of 2005" (the "Refunding Bonds") with an average interest rate of 3.82% to refund a portion of each maturity of the 1999 Series Auditorium Bonds with an average interest rate of 5.20%. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $154,734. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2018 using the effective interest rate method. The Authority completed the refunding to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $460,000 received at the time of issuance. The refunding also resulted in cash flow savings of $435,813 over the life of the Refunding Bonds.

Pursuant to a Supporting Agreement among the Authority, the City and the County dated September 15, 2005, the City and the County each have unconditionally agreed to pay to the Authority, on a pro-rata basis, one half of the principal and interest on the Refunding Bonds as it becomes due and payable.

Commonwealth Lease Revenue Bonds, Series A and Taxable Series B

On October 4, 2007 the Authority issued $252,000,000 of variable interest rate "Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Series A of 2007 (the "Series A Bonds") and $61,265,000 of variable interest rate "Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (the "Taxable Series B Bonds") (collectively the "New Arena Bonds") to acquire, construct, and equip a multi-purpose public auditorium and related facilities (the "New Arena Project"). The New Arena Bonds are to be repaid from (1) rent payments due from the sublease of the new arena to an affiliated entity of the owner of the Penguins hockey team (Pittsburgh Arena Operating LP, as assignee of Lemieux Group, LP) (the "New Arena Lease"), (2) annual grants from the Pennsylvania Economic Development and Tourism Fund (EDTF) created pursuant to Act 71 of 2004, and (3) annual payments from PITG Gaming, LLC (PITG), the holder of the slots license for the City.

The New Arena Lease was executed on September 18, 2007 and obligates Pittsburgh Arena Operating, LP to pay the Authority thirty annual lease payments of $4.1 million per year commencing September 25, 2010 and ending on September 25, 2039.

Section 14.07 of Act 71 provides for the creation of the EDTF. Act 53 of 2007, the legislation providing for the first appropriation of money from the EDTF, provides for payments of $7.5 million per year for 30 years from the EDTF (or until the bonds are no longer outstanding).

In December 2006, the Pennsylvania Gaming Control Board selected PITG to be the recipient of a single stand-alone slots casino located in the City. The Authority has received written undertakings from PITG to contribute not less than $7.5 million per year for 30 years to the cost of the New Arena Project.

In addition the Authority has leased the New Arena Project to the Commonwealth, and the Commonwealth has subleased it back to the Authority. The Commonwealth is obligated to pay rent under the lease only to the extent there is a deficiency or delay in receipt of any portion of the amounts due from the three (3) sources listed above.

The Authority entered into interest rate swap agreements with PNC Bank, National Association (the "Counterparty") in connection with the New Arena Bonds. Pursuant to the swap agreements, the Authority pays a fixed rate of interest to the Counterparty and the Counterparty then pays a variable rate of interest to the Trustee to pay debt service on the New Arena Bonds (Note 8).

Hotel Room Excise Tax Revenue Bonds

On May 26, 1999, the Authority issued $193,375,000 of "Public Auditorium of Pittsburgh and Allegheny County Hotel Room Excise Tax Revenue Bonds, Series 1999" (the "Hotel Bonds"). In connection with the issuance of the Hotel Bonds, the Authority entered into a support agreement with the County, the Allegheny County Treasurer, and the Allegheny County Controller dated May 1, 1999, which requires the County, solely through the use of funds provided by the Hotel Room Excise Tax, to provide payment sufficient to service the Hotel Bonds through 2035 ranging from calendar year amounts of $7,000,000 to $13,780,000.

Regional Asset District Sales Tax Revenue Bonds

On May 26, 1999, the Authority issued $176,625,000 of "Public Auditorium of Pittsburgh and Allegheny County Regional Asset District Sales Tax Revenue Bonds, Series 1999" (the "RAD Bonds"). In connection with the issuance of the RAD Bonds, the Authority entered into a Cooperation and Support Agreement with the Stadium Authority of the City of Pittsburgh (the "Stadium Authority"), the City, the County, and the RAD dated May 6, 1999. The agreement requires the RAD to provide financial support to the Authority for the RAD Bonds through 2030. For calendar year 2007, the Authority received $10,870,000.

In July 1999, the Authority and Stadium Authority entered into an additional Cooperation and Support Agreement in which the Authority guaranteed support to the Stadium Authority to fund any shortfall which could occur in connection with the Stadium Authority's future revenue, debt service requirements, and annual operating expenses. On February 22, 2002, the Authority and Stadium Authority amended the July 1999 Cooperation and Support Agreement to limit the Authority's guarantee to support the Stadium Authority's debt coverage deficits. At this time the management of the Authority does not anticipate any future payments under the provisions of this amendment.

Taxable Ticket Surcharge Revenue Bonds

In September 2000, the Authority issued $17,175,000 of "Sports & Exhibition Authority of Pittsburgh and Allegheny County Taxable Ticket Surcharge Revenue Bonds, Series 2000" (the "Ticket Surcharge Bonds"). In connection with the issuance of the Ticket Surcharge Bonds, the Authority entered into a Security, Pledge, and Assignment Agreement with the Pittsburgh Steelers Sports, Inc. (PSSI) to facilitate the collection and receipt of a 5% ticket surcharge (not to exceed $3 per ticket) on each ticket sold for all exhibition, regular season, and post-season National Football League (NFL) games in which PSSI's NFL franchise is designated to be the "home team" by the rules of the NFL. For each football season beginning with the 2002 NFL season, the first $1,400,000 of total ticket surcharge monies collected for these NFL events will be made available for payments of principal and interest on these bonds.

Parking Revenue Bonds

In March 2001, the Authority issued $27,500,000 of "Sports & Exhibition Authority of Pittsburgh and Allegheny County Parking Revenue Bonds, Series A of 2001" (the "Parking Revenue Bonds"). Net proceeds were expended to pay costs of the Regional Destination Financing Plan including (a) the expansion of the Convention Center, (b) construction of PNC Park, (c) construction of Heinz Field, (d) construction and reconstruction of access roadways, (e) construction of public parking facilities, (f) development of riverfront parks, and (g) payment of costs associated with the foregoing, but not limited to, construction of infrastructure, site improvement, and demolition.

The Parking Revenue Bonds are limited obligations of the Authority payable solely from the Trust Estate pledged under the indenture which includes, among other things, net revenues from the North Shore Garage (an eight-story precast concrete structure, which provides 930 vehicular parking spaces on East General Robinson Street on the North Shore of the City) and certain surface lots as pledged in the security agreement dated January 15, 2001 between the Authority and the Stadium Authority of the City of Pittsburgh (the "Parking Revenues Agreement"). The Parking Revenues Agreement pledges certain parking revenues received with respect to surface parking lots located in close proximity to PNC Park and Heinz Field. These lots are owned or leased by the Authority or by the Stadium Authority and contain approximately 4,700 spaces. The pledged surface parking lot revenues are released from the bond obligation when revenues of the North Shore Garage equal or exceed 1.25 times operating expenses of the North Shore Garage plus net debt service on the Parking Revenue Bonds.

The Parking Revenue Bonds were initially secured by a letter of credit (LOC) issued by Mellon Bank, N.A. This LOC was replaced by Bank of America (the "Bank") in June 2006 with a stated amount equal to the then outstanding principal amount of the bonds. This LOC represents the Bank's commitment to provide funds to pay a redemption price equal to 100% of the outstanding principal of the Parking Revenue Bonds.

In accordance with the Letter of Credit, Security and Reimbursement Agreement dated June 24, 2005 between the Authority and the Bank (the "Reimbursement Agreement") certain additional temporary collateral was pledged to the Bank including (a) a pledge of revenue from additional surface parking lots of the Authority, (b) the establishment of an additional reserve fund in the amount of $1 million funded as follows: $200,000 each in the form of cash or letter of credit from PSSI, the Pirates, Equitable Resources, and $400,000 from Continental Real Estate, and (c) an assignment by the Stadium Authority of sales proceeds from the development of the area between Heinz Field and PNC Park, and (d) an assignment of any ground lease that may be entered into with respect to the amphitheater anticipated between Heinz Field and PNC Park. The temporary collateral is to remain in place only until the debt service coverage for the Authority's Parking Revenue Bonds reaches 1.3 to 1.0. The Reimbursement Agreement provides that upon payment of an existing loan from Dollar Bank and PNC Bank, the Authority will pledge to the Bank the net revenues of the Convention Center Garage. It is anticipated that this additional revenue stream will cause the debt service coverage to exceed 1.3. The loan from Dollar Bank and PNC Bank is to be repaid with funds to be received from the Pennsylvania Gaming Economic Development and Tourism Fund.

The LOC terminates on the earliest of (a) June 22, 2008, (b) the date no Parking Revenue Bonds are outstanding, or (c) the date of a drawing to provide funds to pay a redemption of bonds. The Authority had incurred $297,171 and $299,944 for LOC fees for the year ended December 31, 2007 and 2006, respectively.

Pursuant to an agreement between the Authority and the Public Parking Authority of Pittsburgh (the "Parking Authority") (together with any amendments and supplements thereto, the "Option Agreement"), the Parking Authority agrees to be obligated to purchase the North Shore Garage from the Authority (1) if requested by the Authority and (2) if North Shore Garage and Parking Authority Indenture have achieved certain financial benchmarks.

6. LOANS/NOTES PAYABLE

Terms of the loans and notes payable are as follows:

	1/1/06	Net Additions/ (Reductions)	12/31/06	Net Additions/ (Reductions)	12/31/07
Loan from the Stadium Authority in the amount of $2,400,000, issued November 2002, 2.5% interest payable semiannually through January 2013	$ 1,631,745	$(225,000)	$ 1,406,745	$(230,000)	$ 1,176,745
Loan from the Stadium Authority in the amount of $1,200,000, issued May 2005, variable interest tied to funding commitment	1,200,000	-	1,200,000	-	1,200,000
Loan from Green Building Fund of Community Loan Fund of southwest PA in the amount of $3,000,000, issued December 2002, 1% interest, deferred 5 years, annual payments through December 2022	3,000,000	-	3,000,000	-	3,000,000
Loan from Levy Restaurants in the amount of $500,000, issued June 2003, 0% interest, deferred six months, annual payments through December 2010	357,152	(71,424)	285,728	(71,422)	214,306
Loan from Allegheny County in the amount of $3,100,000, issued October 1991, 0% interest, no stated repayment terms	3,100,000	-	3,100,000	-	3,100,000
Loan from Allegheny County in the amount of $50,000, issued pre-1982, 0% interest, no stated repayment terms	50,000	-	50,000	-	50,000
Loan from City of Pittsburgh in the amount of $50,000, issued pre-1982, 0% interest, no stated repayment terms	50,000	-	50,000	-	50,000
Loan from RAD in the amount of $1,696,560, issued December 1997, paid for by the Pittsburgh Penguins, 0% interest, annual payments through August 2006	169,656	(169,656)	-	-	-
Notes from PNC Bank and Dollar Bank in the amount of $20,000,000, issued April 2004, interest at 74% of prime, 5.5% at year-end, principal deferred until January 2008	18,888,889	-	18,888,889	-	18,888,889
Total loans/notes payable	$28,447,442	$(466,080)	$27,981,362	$(301,422)	$27,679,940

The aggregate amount of principal and interest payments required on loans and notes payable are as follows:

Year	Stadium Authority	Green Building Fund	PNC/ Dollar Bank	Levy Restaurant	County	City	Total Principal	Interest
2008	$1,435,000	$ 200,000	$ 1,333,332	$ 71,432	$ -	$ -	$ 3,039,764	$1,227,420
2009	240,000	200,000	17,555,557	71,437	-	-	18,066,994	405,408
2010	250,000	200,000	-	71,437	-	-	521,437	43,544
2011	255,000	200,000	-	-	-	-	455,000	35,294
2012	196,745	200,000	-	-	-	-	396,745	26,919
2013-2017	-	1,000,000	-	-	-	-	1,000,000	20,000
2018-2022	-	1,000,000	-	-	-	-	1,000,000	10,000
No maturity	-	-	-	-	3,150,000	50,000	3,200,000	-
Total	$2,376,745	$3,000,000	$18,888,889	$214,306	$3,150,000	$50,000	$27,679,940	$1,768,583

7. CAPITAL LEASE OBLIGATION

The Authority leases a water chiller plant under a capital lease which expires in 2021. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is being amortized over the lesser of its related lease term or its estimated productive life. Amortization of assets under capital leases charged to expense was $426,250 for the years ended December 31, 2007 and 2006. The interest rate on the capital lease is 5.6% and was imputed based on the Authority's incremental borrowing rate at the inception of the lease. The following is a summary of property under capital leases:

	12/31/07	12/31/06
Water chiller plant	$8,525,000	$8,525,000
Less: accumulated amortization	(2,557,500)	(2,131,250)
	$5,967,500	$6,393,750

The aggregate annual amount of principal and interest payments required under capital lease obligations are as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	$ 278,587	$ 423,119	$ 701,706
2009	277,092	408,655	685,747
2010	314,123	392,197	706,320
2011	353,915	373,595	727,510
2012	396,645	352,690	749,335
2013-2017	2,740,878	1,356,794	4,097,672
2018-2021	3,340,483	403,653	3,744,136
Total	$7,701,723	$3,710,703	$11,412,426

8. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

OBJECTIVE OF THE INTEREST RATE SWAPS

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance of its variable rate New Arena Bonds, the Authority entered into pay-fixed, receive-variable interest rate swap agreements with PNC Bank, National Association (the "Counterparty"). The intention of the swaps was to effectively change the Authority's variable interest rates on the New Arena Bonds to synthetic fixed rates of 4.020% (Series A) and 5.335% (Taxable Series B). The net interest expenditures at these synthetic rates are the only amounts related to the swap agreements recorded in the financial statements.

TERMS

The swap agreements were entered into at the same time the New Arena Bonds were issued (October 2007). The swap agreements expire on November 1, 2038 (Series A) and November 1, 2039 (Taxable Series B), consistent with the final maturity of each series of bonds. The Series A swap's notional amount of $252,000,000 matches the principal amount of the Series A Bonds at issuance and at December 31, 2007. The Taxable Series B swap's notional amount of $61,265,000 matches the principal amount outstanding of the Taxable Series B Bonds at issuance and at December 31, 2007. Starting in fiscal year 2008, the notional value of the swaps and the principal amount of the associated debt amortize equally.

Initially, the New Arena Bonds will accrue interest at a weekly rate determined by the remarketing agent on the effective rate date. The interest rate on the New Arena Bonds while in the weekly rate may not exceed 12%. Per the Series A interest rate swap agreement, the Authority will pay the Counterparty interest at a fixed rate of 4.020% and will receive from the Counterparty interest equal to the tax-exempt floating rate index (SIFMA Municipal Swap Index). Per the Taxable Series B interest rate swap agreement, the Authority will pay the Counterparty interest at a fixed rate of 5.335% and will receive from the Counterparty interest equal to the London Interbank Offered Rate for a one-month maturity (1M LIBOR). The interest payments on the interest rate swaps are calculated based on the notional amounts, which reduce over time.

Pursuant to the swap contracts, the Authority pays the Counterparty semi-annually on each November 1 and May 1, and the Counterparty pays the Authority monthly on the first of each month. Through November 1, 2007, the Authority paid $759,780 fixed and received $678,053 variable with respect to the swap on the Series A Bonds, and paid $245,137 fixed and received $236,311 variable with respect to the swap on the Taxable Series B Bonds. In addition, the Authority received from the Counterparty on December 1, 2007, $86,992 with respect to the swap on the Series A Bonds and $17,100 with respect to the swap on the Taxable Series B Bonds.

FAIR VALUES

As of December 31, 2007, the interest rate swaps had negative fair market values of $7,853,932 (Series A) and $3,574,381 (Taxable Series B). The fair market values were provided by the Counterparty at mid-market, based on financial principles and assumptions of the Counterparty.

RISK EXPOSURE

Through the use of derivative instruments such as interest rate swaps, the Authority is exposed to a variety of risks, including credit risk, remarketing/interest rate/basis risk and termination risk.

Credit risk is the risk that the Counterparty will not fulfill its obligations. On December 31, 2007, the Counterparty was rated AA- by Standard & Poor's and Aa3 by Moody's Investors Services, Inc., nationally recognized rating agencies. If the Counterparty fails to perform according to the terms of the interest rate swap agreements, there is some risk of loss to the Authority; if the Authority would need to replace the swaps, it would likely cost the Authority the then fair market values. Because the swaps now have negative fair market values, there is no current credit risk to the Authority. This risk includes the potential for the Counterparty to fail to make periodic variable rate payments to the Authority and the Counterparty to fail to make termination payments to the Authority, if the swaps are terminated and a termination payment is due from the Counterparty. To mitigate the potential for Counterparty credit risk, if the Counterparty's credit rating falls below A+ by Standard & Poor's or A1 by Moody's Investors Services, Inc., the A+ fair value of the swaps in the Authority's favor will be fully collateralized (subject to a $500,000 minimum transfer amount) by the Counterparty with eligible collateral, including cash or government securities. The collateral would be posted with a third-party custodian, which would be a commercial bank or trust company selected by the Authority, meeting certain requirements of the Counterparty. In addition, for the period following the capitalized interest period only, if the Counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's Investors Services, Inc., then there would be an automatic termination event under the swap as required by the swap insurer.

Remarketing/interest rate/basis risk is the risk that arises when variable interest rates on a derivative and associated bond are based on different indexes. The Authority is subject to remarketing/interest rate/basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index (Series A Bonds) or 1M LIBOR (Taxable Series B Bonds), as previously discussed, and the variable interest rate on the New Arena Bonds is based on a trading spread to the index based on current market conditions as determined by the remarketing agent. Although expected to correlate over the long-term, the short-term relationships between the SIFMA Municipal Swap Index and the weekly tax exempt rate, and the 1M LIBOR and the weekly taxable rate may vary. The variance could adversely affect the Authority's calculated payments, and synthetic interest rates may not be realized. This risk has been minimized, however, because the swap indexes are directly related to the markets for the bonds and the variance over the long-term should be minimal.

Termination risk is the risk that the swap will end before the final maturity of the New Arena Bonds. The stated term of the swaps is equal to the term of the bonds. There are instances, however, when the swaps could be terminated earlier. The swaps use the International Swaps and Derivatives Association Master Agreement, which includes standard termination events, such as rating downgrades, covenant violations, bankruptcy, or swap payment default by either the Authority or the Counterparty. The Authority or the Counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate.

9. EMPLOYEE BENEFIT PLANS

The Authority has a defined contribution retirement plan covering substantially all of its full-time employees. None of its employees are subject to collective bargaining agreements. Participation in the plan requires an employee to have completed six months of service. Employees are required to make mandatory contributions to the plan equal to 5% of their base compensation, on a pre-tax basis. The Authority annually contributes 7% of eligible employee compensation to the plan. Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the remainder of a participant's account is based on years of continuous service. A participant is 100% vested after five years of service. The Authority contributed $27,780 and $32,889 to the plan for the years ended December 31, 2007 and 2006, respectively. In addition, SMG employees at the Convention Center participate in a defined contribution retirement plan by contributing 5% of their base compensation on a pre-tax basis. The Authority reimburses SMG for its contribution of 3% to the SMG plan plus an additional 1% discretionary contribution. The Authority reimbursed SMG $38,171 and $34,743 for the years ended December 31, 2007 and 2006, respectively.

In 2000, the Authority established a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code of 1986. Under the deferred compensation plan, employees may voluntarily contribute additional pre-tax monies up to allowable federal limits. Eligibility for the deferred compensation plan is consistent with the defined contribution retirement plan and employees are 100% vested in any contributions and earnings thereon. The Authority does not make matching contributions to the deferred compensation plan.

The Authority also reimburses SMG for contributions to the contract management union-sponsored fringe benefit plan on behalf of all SMG employees working at the Convention Center covered under its collective bargaining agreement. Contributions to the plan are based on a fixed percentage of each employee's base wages and are to be used by the union to provide pension, medical, and life insurance fringe benefits for each employee. The Authority collectively reimbursed SMG $791,960 and $847,450 to the plan for the years ended December 31, 2007 and 2006, respectively.

10. OWNERSHIP OF DAVID L. LAWRENCE CONVENTION CENTER

In June 2001, the Authority closed and demolished the original Convention Center (opened in 1981) and acquired additional parcels of land in order to allow for the construction of the new expanded David L. Lawrence Convention Center in accordance with the Regional Destination Financing Plan. By Quit Claim Deed dated October 23, 2001, the land on which the original Convention Center stood was transferred from the Commonwealth to the Authority. The land from the original Convention Center and the land acquired for the expansion had been leased to the Department of General Services of the Commonwealth of Pennsylvania for funding purposes. The Department of General Services, in turn, subleased the premises back to the Authority for the continued development of the new David L. Lawrence Convention Center. The lease and the sublease expired on February 27, 2003 upon final funding of the $174,300,000 committed by the Commonwealth of Pennsylvania for the construction costs of the new Convention Center. The Authority presently owns the land with no lease or sub-lease to the Commonwealth.

By agreement dated January 1, 2002, the Authority entered into a management agreement with SMG, a Pennsylvania general partnership, to provide management services for the new David L. Lawrence Convention Center. The term of the original agreement expired on December 31, 2006 but was extended to December 31, 2010 in 2005. SMG will be paid a fixed fee as base compensation for providing the services and may be entitled to several annual incentive fees based on increasing profit/reducing deficit and exceeding budgeted targets for parking and food and beverage revenues.

The Convention Center was capitalized in December 2002, however, the Authority continued construction into 2003 with a grand opening held in September 2003. Final construction payments will continue into 2008.

11. MELLON ARENA AUDITORIUM SUBLEASE

The Authority built the Civic Arena (the "Arena") in 1961 on land it had leased from the Urban Redevelopment Authority of Pittsburgh (URA). The Authority sublet the Arena and surrounding parking lots to the Civic Arena Corporation (CAC), pursuant to a sublease dated June 16, 1981, as amended by various documents including: (i) Civic Arena Sublease Amendment dated December 23, 1985; (ii) Second Amendment to Civic Arena Sublease dated September 1, 1990; (iii) Consent to Assignment of Sublease dated October 31, 1991, given by Authority and accepted by SMG in conjunction with an Assignment of Sublease dated October 31, 1991, pursuant to which CAC assigned all of its right, title and interest in and to the Sublease to SMG; (iv) Third Amendment to Civic Arena Sublease between the Authority and SMG dated as of June 23, 1997; (v) Fourth Amendment to Civic Arena Lease between the Authority and SMG dated as of September 1, 1999; (vi) Fifth Amendment to Civic Arena Lease between the Authority and SMG made as of December 14, 2004, effective as of July 1, 2004; and (vii) Sixth Amendment to Civic Arena Lease between the Authority and SMG made as of August 15, 2006, effective as of July 1, 2004 (collectively, the "Civic Arena Lease").

By a deed dated December 22, 1998, recorded in the Office of Recorder of Deeds of Allegheny County Pennsylvania on January 12, 1999, in Deed Book Volume 10386, page 379, the URA conveyed fee simple title to the Arena property (not including the Melody Tent Site property) to the Authority. Pursuant to a Development and Repayment Agreement dated as of June 23, 1997, as amended on September 1, 1999, by and between the Authority, SMG, and Pittsburgh Hockey Associates, d/b/a the "Pittsburgh Penguins" (PHA), the parties thereto entered into agreements relating to the continued use and occupancy of the Arena. On October 13, 1998, PHA, together with two related entities, instituted certain proceedings in the United States Bankruptcy Court for the Western District of Pennsylvania. Pursuant to a Plan of Reorganization approved by the Bankruptcy Court, PHA emerged from the proceedings, and pursuant to a certain Amended and Restated Limited Partnership Agreement dated as of September 1, 1999, became known as the Lemieux Group, LP (LG).

In connection with the emergence of PHA from the proceedings, the First Amendment to the Development and Repayment Agreement, dated as of September 1, 1999, by and between the Authority, SMG, and LG, was entered into providing further agreements relating to the occupancy of the Arena by LG for the playing of professional hockey and the continued operation and control of the Arena by SMG. In addition, the Fourth Amendment to the Civic Arena Lease was entered into and a) established a new lease termination date of June 30, 2007, with a five-year renewal option (extending the term to June 30, 2012) to be exercised by January 1, 2007, b) added a lease turnover provision (on June 30,2005 LG was to become master tenant and SMG to become its manager), c) reduced rent to $1 per year, d) granted naming rights to LG, and e) relieved the team of certain debt obligations and eliminated ticket surcharges for debt but provided for a facility maintenance surcharge. The settlement also required a) LG under certain circumstances to pay approximately $1,000,000, of which $200,000 was paid in 2000 and no further payments have been made, and b) SMG to contribute $875,000 which was paid in its entirety as of December 31, 2005. The Supporting Agreement with respect to the Authority's Refunding Bonds requires these moneys be transferred to the City and County (1/2 each). The Authority has made these transfers.

By a sublease agreement dated as of September 1, 1999, SMG subleased certain of the Arena to LG (the "Arena Sublease"). The term of the Arena Sublease was to expire on June 30, 2004, at which time SMG's interest under the Civic Arena Lease was to be automatically conveyed to LG (the "Automatic Conveyance"). In 2004 the Fifth Amendment to Civic Arena Lease was entered into extending the termination date of the Civic Arena Lease to June 30, 2007. By letter agreement dated December 2004 between LG and SMG, it was agreed that the date of the Automatic Conveyance be extended to June 30, 2007. In 2005 the Sixth Amendment to Civic Arena Lease was entered into providing that LG, and only LG, had the right to extend the term of the Civic Arena Lease after June 30, 2007, for which the extension term was to be for one (1) year, or for a longer period in connection with the development of the New Arena.

LG and the Authority have entered into a long-term sublease agreement (the "New Arena Lease") pursuant to which the Authority agreed to issue debt to finance the development and construction of the New Arena and LG agreed to lease and play professional hockey at the New Arena for a term beginning on August 1, 2010, and ending on June 30, 2040. Pursuant to the Seventh Amendment to the Civic Arena Lease, effective July 1, 2007, the term of the Civic Arena Lease was extended until the commencement of the New Arena Lease.

12. BENEDUM CENTER OPERATING LEASE

On June 15, 1984, the Authority acquired certain property and entered into an agreement to lease the property to the Allegheny International Realty Development Corporation (AIRDC). AIRDC subsequently assigned the lease to the Pittsburgh Trust for Cultural Resources (the "Trust") for purposes of constructing and operating the Benedum Center. The lease agreement provides for annual rentals of one dollar and requires the Trust to pay for improvements, maintenance, utilities, and insurance. The lease is for a period of fifty years and is due to expire in June 2034 with an option to renew the lease for an additional thirty years.

13. HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA OPERATING LEASE

On October 22, 1991, the Authority acquired the former Chautaqua Ice Company property and entered into an agreement to lease the property to the Historical Society of Western Pennsylvania (the "Society"). The Society has established The Heinz History Center and supporting facilities that operate as a museum, research center, and cultural facility for the benefit of the general public. The lease agreement provides for annual rental of one dollar and requires the Society to pay for improvements, maintenance, utilities, and insurance. The lease is for a period of 25 years and is due to expire in October 2016. The Society has the option to renew the lease for three consecutive periods of 25 years each at an annual rental mutually agreed to by the parties. The Society has obtained a mortgage loan to finance construction on the property. The Authority has consented to the use of the building as collateral on the loan.

14. PNC PARK OPERATING LEASE

The Authority has entered into a lease agreement with Pittsburgh Associates (the "Pirates") with a primary term of 29.5 years, commencing in March 2001. Obligated payments to the Authority include the following components: (a) *Base Rent,* (b) *Excess Gate Revenues* (i) 5% of gate revenues over $44.5 million and (ii) 10% of gate revenues over $52 million, (c) *Excess Concession Revenues*, the sum of (i) should the Pirates arrangement with the concessionaire(s) selected by the team entitle the team to receive more than 42% of the aggregate gross concession revenues, the Pirates shall pay the Authority 5% of the excess over the 42%, but less than 45%, and 10% of the excess above 45% and (ii) 5% of gross food and beverage revenues in excess of $9.00 per capita, and (d) *Ticket Surcharges*, the team shall receive and retain the first $1,500,000 of ticket surcharge each year, with the next $375,000 paid to the Authority for deposit into the Capital Reserve Fund, and the next $250,000 paid directly to the Authority. The Pirates shall retain any ticket surcharges collected above these amounts.

Under the conditions of this operating lease, the Pirates are granted the exclusive right to any naming, advertising, broadcasting, and telecommunications rights pertaining to PNC Park. The Pirates are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of PNC Park necessary to keep and maintain PNC Park in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, the Pirates have paid for $7,132,249 of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building and as property of the Authority if there was a default by the Pirates, under generally accepted accounting principles, these assets cannot be capitalized by the Authority.

The lease also provides for the creation of a Capital Reserve Fund, which is funded from ticket surcharges from Major League Baseball games and concerts, rent, excess concession, and gate revenues. The Capital Reserve Fund for PNC Park held $5,915,815 and $5,387,658 as of December 31, 2007 and 2006, respectively.

15. HEINZ FIELD OPERATING LEASE

The Authority has entered into a lease agreement with PSSI Stadium Corporation (PSSI) with a primary term of 29.5 years, commencing in August 2001. PSSI (a related entity to the Steelers) subleases the facility to Pittsburgh Steelers Sports, Inc. (the "Steelers") and the University of Pittsburgh. Obligated payments to the Authority include the following components: (a) *Non-Sporting Event Revenues*, 15% of net revenues from nonsporting events, (b) *Ticket Surcharge Revenues*, a 5% ticket surcharge shall be imposed by the Authority on all tickets sold for events at Heinz Field, with lease year surcharge proceeds over $1,400,000 for NFL Events paid to the Authority for deposit into the Capital Reserve Fund and all surcharge monies collected for non-NFL events being paid directly to the Authority, and (c) *Visitor's Club Seat Revenues*, beginning in year 16 of the lease, visiting team's share of club seat revenues shall be remitted to the Authority for deposit into the Capital Reserve Fund.

Under the conditions of this operating lease, PSSI is granted the exclusive right to any naming, advertising, broadcasting, and telecommunications rights pertaining to Heinz Field. PSSI is obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of Heinz Field necessary to keep and maintain Heinz Field in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, PSSI has paid for $17,859,972 of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building and as property of the Authority if there was a default by PSSI, under generally accepted accounting principles, these assets cannot be capitalized by the Authority.

The lease also provides for the creation of a Capital Reserve Fund, which is to be funded from ticket surcharges from National Football League games, college football games, and concerts, excess concession, gate, and food and beverage revenues. The Capital Reserve Fund for Heinz Field held $5,065,693 and $6,066,008 as of December 31, 2007 and 2006, respectively.

16. CAPITAL CONTRIBUTIONS

Capital contributions represent funds received for development activities in connection with the Regional Destination Financing Plan and New Arena Project. The Commonwealth of Pennsylvania, Federal Highway Administration and philanthropic and corporate entities contribute funds to provide financial assistance. These grants and contributions were recorded as capital contributions in the amounts of $14,836,383 and $26,998,659 for the years ended December 31, 2007 and 2006, respectively, and consist of the following:

	12/31/07	12/31/06
Commonwealth of Pennsylvania grants	$11,288,148	$25,711,952
Federal Highway Administration	38,162	748,314
Stadium Authority	1,270,169	450,362
Other grants and contributions	2,239,904	28,010
Sports teams contributions	-	60,021
Total capital contributions	$14,836,383	$26,998,659

17. RECONCILIATION OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT

Total net assets includes an amount for investment in capital assets, net of related debt of $471,349,095 and $482,302,595 at December 31, 2007 and 2006, respectively. The calculation is as follows:

	12/31/07	12/31/06
Capital assets, net	$902,715,408	$925,870,598
Construction in progress	35,006,074	15,818,517
Less bonds payable related to capital assets	(733,171,741)	(427,312,809)
Less loans/notes payable related to capital assets	(27,579,940)	(27,881,362)
Less obligations under capital leases	(7,701,723)	(7,907,309)
Plus net unspent bond proceeds	302,081,017	3,714,960
Invested in capital assets, net of related debt	$471,349,095	$482,302,595

18. SEGMENT INFORMATION

The operating segment captures the operation of the Convention Center, its parking garage, and the Authority's administrative office. The capital development segment includes the Authority's bond issues and pledged revenues related to several capital development projects including PNC Park, Heinz Field, the David L. Lawrence Convention Center, the North Shore Parking Garage, Convention Center Parking Garage, the New Arena Project, and all related infrastructure. Investors in the bonds rely solely on the revenues pledged for the projects for repayment.

STATEMENT OF NET ASSETS

	2007		
	OPERATING	CAPITAL DEVELOPMENT	TOTAL
Current assets	$10,176,570	$ 130,105,034	$ 140,281,604
Non-current assets	3,391,620	1,157,570,785	1,160,962,405
Total assets	13,568,190	1,287,675,819	1,301,244,009
Current liabilities	6,013,059	31,382,464	37,395,523
Non-current liabilities	23,783,620	734,983,469	758,767,089
Total liabilities	29,796,679	766,365,933	796,162,612
Net assets	$(16,228,489)	$ 521,309,886	$ 505,081,397

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2007		
	OPERATING	CAPITAL DEVELOPMENT	TOTAL
Restricted operating revenue	$ 1,071,168	$ 3,174,618	$ 4,245,786
Unrestricted operating revenue	9,458,145	181,593	9,639,738
Less: operating expenses	(11,884,030)	(110,655)	(11,994,685)
Less: depreciation/amortization	(155,394)	(34,296,395)	(34,451,789)
Operating loss	(1,510,111)	(31,050,839)	(32,560,950)
Restricted non-operating revenue	3,451,515	31,479,380	34,930,895
Unrestricted non-operating revenues (expenses)	75,730	(285,829)	(210,099)
Interest expense	(1,071,168)	(23,885,300)	(24,956,468)
Loss before contributions	945,966	(23,742,588)	(22,796,622)
Capital contributions	-	14,836,383	14,836,383
Change in net assets	945,966	(8,906,205)	(7,960,239)
Beginning net assets	(17,174,455)	530,216,091	513,041,636
Ending net assets	$(16,228,489)	$521,309,886	$505,081,397

STATEMENT OF CASH FLOWS

	2007		
	OPERATING	CAPITAL DEVELOPMENT	TOTAL
Cash flows from operating activities	$(1,733,601)	$ 3,013,489	$ 1,279,888
Cash flows from investing activities	58,547	5,215,388	5,273,935
Cash flows from non-capital activities	3,524,222	-	3,524,222
Cash flows from capital activities	(2,017,935)	295,836,722	293,818,787
Increase in cash and cash equivalents	(168,767)	304,065,599	303,896,832
Cash and cash equivalents, beginning	5,695,985	36,363,809	42,059,794
Cash and cash equivalents, ending	$ 5,527,218	$340,429,408	$345,956,626

Note: This segment information includes intercompany eliminations of $5,878,102.

STATEMENT OF NET ASSETS

	2006		
	OPERATING	CAPITAL DEVELOPMENT	TOTAL
Current assets	$ 9,417,972	$ 47,112,477	$ 56,530,449
Non-current assets	3,435,752	941,799,079	945,234,831
Total assets	12,853,724	988,911,556	1,001,765,280
Current liabilities	5,237,391	26,802,145	32,039,536
Non-current liabilities	24,790,788	431,893,320	456,684,108
Total liabilities	30,028,179	458,695,465	488,723,644
Net assets	$(17,174,455)	$530,216,091	$ 513,041,636

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2006		
	OPERATING	CAPITAL DEVELOPMENT	TOTAL
Restricted operating revenue	$ 957,562	$ 3,326,217	$ 4,283,779
Unrestricted operating revenue	8,990,813	986,727	9,977,540
Less: operating expenses	(12,386,808)	(269,962)	(12,656,770)
Less: depreciation/amortization	(155,256)	(36,506,393)	(36,661,649)
Operating loss	(2,593,689)	(32,463,411)	(35,057,100)
Restricted non-operating revenue	2,799,538	27,798,696	30,598,234
Unrestricted non-operating revenues (expenses)	265,930	(143,470)	122,460
Interest expense	(957,562)	(22,361,992)	(23,319,554)
Loss before contributions	(485,783)	(27,170,177)	(27,655,960)
Capital contributions	-	26,998,659	26,998,659
Change in net assets	(485,783)	(171,518)	(657,301)
Beginning net assets	(16,688,672)	530,387,609	513,698,937
Ending net assets	$(17,174,455)	$530,216,091	$513,041,636

STATEMENT OF CASH FLOWS

	2006		
	OPERATING	CAPITAL DEVELOPMENT	TOTAL
Cash flows from operating activities	$(2,599,041)	$ 4,015,283	$ 1,416,242
Cash flows from investing activities	155,995	1,162,300	1,318,295
Cash flows from non-capital activities	3,064,733	-	3,064,733
Cash flows from capital activities	2,214,549	1,205,655	3,420,204
Increase in cash and cash equivalents	2,836,236	6,383,238	9,219,474
Cash and cash equivalents, beginning	2,859,749	29,980,571	32,840,320
Cash and cash equivalents, ending	$ 5,695,985	$36,363,809	$42,059,794

Note: This segment information includes intercompany eliminations of $5,786,718.

19. COMMITMENTS AND CONTINGENCIES

The Authority entered into a lease for certain office space in August 2007. The lease is for a period of five years with an option for the Authority to terminate it at any time. Total rent expense paid under this lease, as extended, was $102,097 and $93,758 for the years ended December 31, 2007 and 2006, respectively. Future payments required under this lease, as extended, are $499,249 through August 2012.

The Authority is involved in claims and legal actions arising from construction and in the normal course of operations. The Authority is in the process of closing out its construction contracts for the Convention Center and is a party to multiple claims and unresolved issues that at this point cannot be quantified with any degree of certainty. There is a limited amount of money in the budget to cover these unresolved items. Additionally, there are multiple claims resulting from the operation of Heinz Field and PNC Park, for which the respective teams have indemnified the Authority, the range of potential loss and the outcomes of these cases cannot be determined. In the opinion of management, the ultimate disposition of these matters, considering indemnification agreements, insurance, and Authority defenses will not have a material adverse effect on the Authority's financial position.

As of December 31, 2007, the Authority had the following commitments, including retainage and current payables, with respect to unfinished capital projects:

CAPITAL PROJECT	OUTSTANDING CONSTRUCTION COMMITMENT	EXPECTED DATE OF COMPLETION
Convention Center	$1,666,085	December 2008
Convention Center infrastructure	$1,242,940	December 2008

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

SCHEDULE 1 - PLEDGED PARKING OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
Operating revenue:													
Lease revenue	$ 101,203	$ 92,375	$ 77,836	$ 86,559	$ 80,655	$ 115,593	$ 86,189	$ 107,263	$ 83,420	$ 109,106	$ 63,623	$ 97,597	$ 1,101,419
Transient Revenue	43,186	38,840	51,877	35,657	40,959	42,713	39,229	43,790	34,458	41,114	36,064	32,741	480,628
Pirate revenue	-	-	-	267,695	82,589	105,236	96,488	100,224	70,872	-	-	-	723,104
Steeler revenue	-	-	-	-	-	-	-	79,048	40,150	20,550	60,475	42,725	242,948
Panther revenue	-	-	-	-	-	-	-	-	21,528	13,008	7,414	-	41,950
Other event revenue	-	-	-	-	-	54,761	-	-	-	-	400	1,989	57,150
Gross operating income	144,389	131,215	129,713	389,911	204,203	318,303	221,906	330,325	250,428	183,778	167,976	175,052	2,647,199
Less: parking tax (.31035)	(44,811)	(40,723)	(40,256)	(120,926)	(63,371)	(82,096)	(68,828)	(102,516)	(77,704)	(56,940)	(52,121)	(54,327)	(804,619)
Adjusted gross receipts	99,578	90,492	89,457	268,985	140,832	236,207	153,078	227,809	172,724	126,838	115,855	120,725	1,842,580
Expenses:													
Garage supplies	2,558	2,658	1,068	875	1,356	677	2,053	910	1,180	471	1,057	2,694	17,557
Insurance	-	6,187	-	-	6,187	-	6,187	-	-	342	6,187	-	25,090
Insurance - group	3,803	1,449	2,324	2,384	2,342	2,378	2,357	2,471	2,363	2,713	2,300	2,321	29,205
License	-	206	-	108	-	-	-	-	-	555	-	-	869
Maintenance	3,570	7,613	17,936	3,871	9,104	18,302	6,787	7,384	18,072	8,919	5,678	17,776	125,012
Office	1,495	1,344	1,483	1,959	1,759	985	1,638	1,860	1,537	1,519	1,452	1,435	18,466
Pension	796	341	519	893	840	937	1,194	893	1,015	996	692	753	9,869
Police	-	-	-	-	3,292	-	8,270	4,575	6,293	7,320	2,241	5,098	37,089
Security	4,526	3,175	9,506	6,869	8,314	12,481	8,519	8,519	8,755	13,438	8,546	8,934	101,582
Taxes - payroll	1,287	1,667	1,014	1,474	1,529	1,418	2,156	1,382	1,530	1,730	1,295	989	17,471
Taxes - other	-	-	-	-	-	-	-	-	-	-	-	-	-
Tickets	-	-	7,731	100	-	-	-	-	9,491	-	-	-	17,322
Uniforms	88	40	-	163	80	146	87	104	157	162	143	159	1,329
Uninsured loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	16,973	22,005	18,478	15,991	16,432	16,758	15,855	16,023	16,728	15,096	17,303	20,027	207,669
Utilities reimbursement	-	-	(9,000)	(10,500)	(6,750)	(6,750)	(4,500)	(4,500)	(5,000)	(5,500)	(8,000)	(8,500)	(69,000)
Wages	8,142	8,033	8,352	15,043	15,442	16,390	21,819	15,874	17,951	18,900	11,701	12,242	169,889
Subtotal expenses	43,238	54,718	59,411	39,230	59,927	63,722	72,422	55,495	80,072	66,661	50,595	63,928	709,419
Operating income	56,340	35,774	30,046	229,755	80,905	172,485	80,656	172,314	92,652	60,177	65,260	56,797	1,133,161
Management fee	(5,417)	(5,417)	(5,416)	(5,417)	(5,417)	(5,416)	(5,417)	(5,417)	(5,416)	(5,417)	(5,417)	(5,416)	(65,000)
Net income	50,923	30,357	24,630	224,338	75,488	167,069	75,239	166,897	87,236	54,760	59,843	51,381	1,068,161
Other expenses	(7,885)	(767)	(872)	(731)	(748)	(322)	(1,473)	(1,012)	(738)	(391)	(900)	(750)	(16,589)
Other income	757	556	876	1,236	2,030	1,229	2,214	2,394	2,969	-	-	-	14,261
Total North Shore Garage revenue	43,795	30,146	24,634	224,843	76,770	167,976	75,980	168,279	89,467	54,369	58,943	50,631	1,065,833

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

SCHEDULE 1 - PLEDGED PARKING OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
Fixed rent from Alco lease	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 38,833	$ 465,997
Net revenues from lots:													
Lot 1--daily	13,304	10,093	26,921	29,057	32,983	29,921	29,201	36,391	31,413	26,735	23,737	(5,822)	283,934
Lot 1--other	(28)	(31)	13,604	(49)	1,431	1,434	769	(210)	(28)	3,243	(52)	(767)	19,316
Lot 2--daily	332	202	536	788	896	3,124	3,118	3,486	3,684	3,476	3,109	2,671	25,423
Lot 2--other	(41)	(41)	192	(41)	471	999	58	(84)	(41)	192	(13)	182	1,833
Lot 3--daily	1,449	1,291	1,512	1,830	1,603	1,771	1,879	2,199	2,184	2,548	2,420	889	21,574
Lot 3--other	-	-	-	-	-	-	-	-	-	-	-	-	-
Lot 4--daily	(823)	(2,756)	6,547	4,554	8,539	13,306	8,537	12,161	11,113	11,106	9,156	(4,440)	77,001
Lot 4--other	(49)	(49)	229	(49)	561	1,190	781	(198)	(49)	516	(16)	179	3,046
Lot 5--daily	545	424	1,057	1,137	1,285	1,170	1,143	1,413	1,226	1,042	937	(175)	11,204
Lot 5--other	(17)	(17)	497	(17)	38	39	13	(23)	(17)	107	(17)	(44)	541
Lot 7A--daily	(482)	(485)	(7)	(20)	-	-	-	-	-	-	-	(7)	(1,000)
Lot 7A--event	(476)	(469)	381	(629)	(861)	(423)	1,261	11,369	1,570	(1,466)	(1,217)	(2,148)	6,893
Lot 7B--daily	694	596	905	1,302	1,310	1,503	1,401	1,715	1,498	887	1,012	178	13,000
Lot 7B--event	277	250	(33)	589	743	1,860	903	10,978	1,767	(630)	(790)	(1,346)	14,568
Lot 7C--daily	470	375	667	1,373	1,380	1,483	1,403	1,708	1,549	730	415	58	11,613
Lot 7C--event	188	168	(114)	1,509	1,897	2,986	2,013	14,399	3,885	(1,016)	(595)	(1,763)	23,556
Lot 7D--daily	(974)	(984)	(974)	2,636	-	-	-	-	-	-	(2)	(144)	(442)
Lot 7D--event	(996)	(981)	(967)	(580)	(2,712)	(2,454)	(2,315)	16,465	582	(3,914)	(3,830)	(4,995)	(6,697)
Lot 7E--daily	-	-	-	-	-	-	-	-	-	-	-	-	-
Lot 7E--event	399	(1,641)	244	44,554	8,393	8,551	6,835	18,670	9,789	1,688	2,094	(2,795)	96,782
Lot 7F--daily	(592)	(299)	(465)	29	-	79	37	45	-	(459)	(16)	(22)	(1,664)
Lot 7F--event	(9)	(279)	0	461	919	1,933	1,382	5,938	2,124	(454)	(579)	(1,206)	10,231
Lot 7G--daily	(1,623)	(1,671)	(1,146)	(194)	(216)	329	(307)	471	225	(630)	(122)	(940)	(5,822)
Lot 7G--event	(22)	(7)	-	439	(302)	1,858	2,231	9,282	4,970	(971)	81	(1,455)	16,105
Lot 7H--daily	(348)	(347)	(323)	(317)	(317)	-	-	-	-	-	(53)	(7)	(1,711)
Lot 7H--event	(326)	(319)	(317)	(413)	(332)	(156)	(141)	896	2,143	(1,211)	90	(884)	(970)
Lot 7J--daily	-	-	-	-	-	-	-	-	-	-	-	-	-
Lot 7J--event	1,373	1	1,142	2,272	1,626	3,967	3,181	4,616	5,516	1,505	1,548	(894)	25,853
Total net revenues from pledged surface lots	51,059	41,859	88,922	129,055	98,168	113,303	102,218	190,521	123,936	81,857	76,130	13,137	1,110,165
Total net revenues from North Shore Garage and pledged surface lots	94,854	72,005	113,556	353,898	174,938	281,279	178,198	358,800	213,403	136,226	135,073	63,768	2,175,998
Interest earned	9,012	15,093	8,030	9,115	8,948	9,626	8,115	8,672	8,758	8,282	8,449	8,408	110,508
Net profit after interest income	$ 103,866	$ 87,098	$ 121,586	$ 363,013	$ 183,886	$ 290,905	$ 186,313	$ 367,472	$ 222,161	$ 144,508	$ 143,522	$ 72,176	$ 2,286,506

See Notes to Financial Statements

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Sports & Exhibition Authority of Pittsburgh
and Allegheny County:

We have audited the basic financial statements of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "Authority") as of and for the year ended December 31, 2007, and have issued our report thereon dated May 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A *material weakness* is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors and management of the Sports & Exhibition Authority of Pittsburgh and Allegheny County and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Parente Randolph, LLC

Pittsburgh, Pennsylvania
May 28, 2008